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Natural Gas Purchasing Options

A Guide for
Ontario
Natural Gas
Buyers



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Ministry
of
Energy

Robert C. Wong
Minister

Energy Leadership

For Economic Strength



What's the big change?

Until 1985, natural gas buyers in Ontario purchased their fuel from the owner of the distribution pipeline carrying the natural gas to the furnace, the factory or the house. The price they paid was set by governments.

But the system of buying and selling gas in Canada is changing.

In 1985, the federal government and the western gas-producing provinces agreed to deregulate the wholesale price of natural gas, allowing market forces to determine prices. This means price and other terms can now be negotiated between buyers and sellers, although pipeline, distribution and storage rates continue to be regulated.

The new pricing system provides large-volume users or groups of smaller Ontario users new purchasing options and opportunities for savings. Buyers can continue to purchase their gas from their distributor, or elect to shop around and purchase their supply from a broker or directly from the western producers.

Will my gas company object if I buy gas directly?

No. The Ontario Energy Board followed up the 1985 federal/provincial natural gas agreement with a key decision that requires the local gas distribution companies to transport and deliver any gas bought from a broker or directly from a western producer.

Are there any advantages?

Depending on how much gas you use, negotiating your gas supplies can lead to substantial savings. Small users can also take advantage of the potential savings by forming consortia to concentrate their purchasing power.

Are there risks?

Yes. Purchasing natural gas in a deregulated market is a complex business, and one that can involve some risks.

How do I make my decision?

The Ontario Ministry of Energy has prepared a handbook to help natural gas buyers assess the advantages and disadvantages of the various purchasing options.

"A Guide For Ontario Natural Gas Buyers" provides detailed information on the Canadian natural gas production and delivery system and the impact of deregulation.

The guide provides consumers with criteria for evaluating different gas supply and transportation options, including advice on how to proceed with gas purchases. Two case studies offer further insight into the advantages and risks involved in buying natural gas in a deregulated system.

"A Guide For Ontario Natural Gas Buyers" is not intended to take the place of professional advice on negotiating a gas purchase arrangement. The guide includes an extensive list of agencies and associations that can provide more detailed information.

"A Guide for Ontario Natural Gas Buyers" is a useful primer for Ontario buyers thinking about their future security of gas supply and the various purchasing options now available.

